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FALLACIES REGARDING THE LACK OF PURCHASING POWER

BY PROFESSOR GUSTAV CASSEL

There has long been a widespread notion that the community is suffering from a shortage of purchasing power. In entertaining this idea people think chiefly of saving, which is supposed to have the effect of drawing purchasing power away from the market. We frequently hear complaints that people who can afford to buy are "hoarding" their money instead of "putting it into circulation". The basis of this aversion to saving is evidently the idea that saving renders a part of people's income inoperative as purchasing power. This, however, is a mistake, due to lack of insight into the nature of saving.

There is also a very prevalent idea that the entire income of a community increases at a slower pace than production, and that, therefore, the income of that community in its entirety does not suffice to purchase the whole production. This likewise is a mistake. The fallacy lies in a lack of insight into the nature of the formation of income.

These popular fallacies are by no means innocuous. They form the basis for much misdirected criticism of our entire social structure and affect people's attitude towards important economic questions, actually resulting in far-reaching State intervention in the economic sphere, and manifesting themselves continually in new projects of a rather hazardous character.

Evidently the only effective means of suppressing these fallacies is to present, in the clearest possible form, an elementary theory of the formation of income and the spending of income. Latterly, however, any such attempt has been rendered much more difficult by the support which these popular fallacies have received, or are supposed to have received, in recent theoretical investigations of the disturbances in the monetary system. These investigations, however, are, at bottom, not concerned with purchasing power in the sense now intended, but with the community's supply of means of payment.

The tendency to convert assets into means of payment conduces to create a greater demand for means af payment. If these means of payment are then left unused, that is, are not utilized as such or are poorly utilized, this will entail an increased need of means of payment in relation to payments actually made. Again, means of payment may be used for the repayment of bank debts. Such a procedure diminishes the supply of means of payment. In these various ways the shortage of means of payment can be aggravated. Difficulties may thus be placed in the way of the continous sale of the commodities produced. The consequences manifest themselves in a fall of prices, restrictions on production and increase of stocks, in short, all the characteristic symptoms of a slump. On the surface this state of things appears to be the result of a "shortage of purchasing power", which the general public usually attribute to a defect in the *economic* structure, this term being used in the limited sense assigned to it as distinguished from the *monetary* system. Exponents of the latest theories of economic crises have devoted particular attention to the phenomena just mentioned, but have not sufficiently stressed their purely *monetary* character: in fact, they have involved them in the economic system in such a way as actually to confirm the general public in their erroneous views.

The procedure alluded to above, the result of which is a shortage of means of payment, is, of course, due to a lack of confidence, arising from certain disturbances, either of an economic or of a political character. To discuss the motives for such procedure would be beyond the scope of this article. What is essential from our present point of view is to establish the fact that the procedure is entirely a monetary phenomenon. It has no *intrinsic* connexion either with the nature of the formation of income or the use of income or with any particular kind of income or capital. When, in the discussion on the subject, the procedure in question is constantly placed in connexion with saving, reservation of profits, or other disposal of income or capital, this is extremely misleading. Anything that can be sold can, of course, be exchanged for means of payment. Any possession of capital or income can therefore be utilized for demanding means of payment. It is consequently quite gratuitous to associate such demands with particular parts of income, whether it is a matter of saving by individuals, the writing-off, or other reservations, by companies, or anything of the kind.

The attitude of the public to the supply of means of payment must be dealt with as a separate question of a purely monetary character. Such a distinction will be found to be of advantage both for the theory of the subject and for practical politics. To discuss the question of the supply of means of payment separately will entail the advantage that the general economic theory can be built up on the assumption of a normal supply of means of payment. It will then become clear that nothing in the *economic* structure necessarily leads to a lack of purchasing power in relation to the total actual production. In dealing with various disturbances as a matter of practical politics, we shall gain the advantage that difficulties of a monetary character will be met with monetary measures. It should be particularly observed that any shortage of means of payment, at any rate in theory, can be remedied by the banks by creating additional means of payment, thus by a certain monetary policy. To that end the banks need merely increase their lending or purchase more securities. A practical consideration is that such measures will certainly be much more effective if they are taken at once, as soon as occasion arises, and before the disturbances have reached such dimensions that they can be controlled only with the greatest difficulty. If the banks succeed in carrying out such a policy, any remaining disturbances — which will then doubtless have been considerably lessened — are of a purely economic character and should be dealt with as such.

The principal elements in the theory of the formation of income and the use of income — on the assumption of a normal supply of means of payment — are the following: —

Income is the remuneration which any one receives in return for his cooperation in the general process of production. This definition covers also the profits of the *entrepreneur,* any loss being reckoned as negative income.

The sum-total of all incomes thus defined is the total income of the community. It is equal to the sum-total of the remuneration received by all those participating in the process of production, and is thus equal to the total value of what is produced.

Hence it follows that the total income suffices to purchase the total production. The popular notion regarding the insufficiency of the total income is thus a fallacy.

Neither income nor capital can exist as abstract figures, but must always have some concrete correspondent. There is a prevalent notion that the receiver of income usually waits some time before he decides to spend it in a certain way, and that in the meantime the income is *unused,* in the sense that it exists merely as a figure. This view is untenable. The income is from the very outset invested in real assets or claims. A factory worker acquires his income at the very moment when he performs his work. For the time being the income has the character of a claim on the company, which has a corresponding asset, say, in the goods which it produces. The worker's income is then invested in those goods. When the income is paid in notes, the worker obtains, instead, a claim on the note-issuing bank, which must have a corresponding asset, say, in bills of exchange representing goods on the way through the process of production. The income will then be invested in such goods and will remain so as long as the worker keeps the notes.

The income, again, may be invested from the outset in fixed assets. A builder's worker acquires income by carrying on the building work. When the wage is paid, this is done in the form of bank money, for which the bank has cover, say, in a claim on the building in the shape of a bank loan.

Thus there is no »unused» income even for a single moment. No time elapses between the acquisition of the income and its investment. If the receiver of the income subsequently decides on a special investment, this merely involves a change of investment.

The income may be used in two different ways. It may be spent, which means that it buys utilities of consumption, whether goods, such as food, or services, such as the use of an apartment. The income, again, may be saved, which means that it buys real capital. As we have seen, it is used in this way from the very outset.

Thus, in all circumstances, the entire income must be used to buy the results of the process of production. There is no lapse of time before this occurs. We also see that the income in its entirety suffices to purchase the entire production.

Thus saving nowise involves any withholding of purchasing power from the market. Saving constitutes effective purchasing power quite as much as consumption.

Under normal conditions production is adjusted according to the proportion in which the receivers of income use it for consumption or for saving. The productive forces are divided between the production of utilities of consumption and the production of real capital precisely in the proportion determined by the demand. There is thus, normally, a perfect correspondence between supply and demand, both as regards utilities of consumption and with respect to real capital.

This equilibrium may, of course, be disturbed if the public change the distribution of their income between consumption and saving. For example, should the tendency to save increase, production will have to be readjusted so that the productive forces will be employed to a somewhat greater extent on the production of real capital. Such a readjustment will naturally entail some friction. But this will merely be of the same nature as the friction entailed by those unceasing changes in the demand for various articles of consumption to which production always has to accommodate itself. As a general rule adjustment to a varying rate of saving does not entail any great difficulties, provided that it is only allowed to run its natural course and is not impeded by arbitrary intervention. Nor does experience show that any considerable or sudden changes in the saving tendency are occasioned by *economic* motives. Should such marked changes occur, they will be found, as we shall presently see, to be due to *monetary* disturbances.

The adjustment of the process of production to a more abundant supply of savings is promoted by the lowering of the level of interest which is the natural consequence of the change in the situation on the capital market. It is, of course, assumed here that this situation is permitted to find its immediate expression in a reduced rate of interest. This, however, is not always the case in practice. On the contrary, it seems to be a common occurrence that the banks do not follow a change in the situation on the capital market with sufficient promptitude, by an adjustment of their rates of interest. Should the banks, in the supposed case, maintain their rates of interest at the previous level, these rates would exceed what would correspond to the equilibrium rate of interest. The result will be a repayment of bank loans and thus a shortage in the supply of means of payment. This shortage results in a general fall of prices, in other words, a process of deflation sets in.

A lowering of the general level of prices is equivalent to a rise in the purchasing power of money. Holders of means of payment take advantage of this rise. People will therefore use as much as possible of their assets for the acquisition of means of payment, and perhaps will even deliberately increase their savings to that end. The latter situation occurs if people postpone their consumption in anticipation of a further fall of prices. The increasing demand for means of payment entails a further depression of the price level. This cumulative character of the process of deflation makes it doubly dangerous. It is therefore of extreme importance that the bank rates should be promptly adjusted to changes in the situation on the capital market. If this is done, the cause of the fall of prices is eliminated, the supply of means of payment again becomes normal, and the economic process can continue its regular course.

The situation just described, where the general public show a tendency to an abnormal demand for means of payment, and thus use their income for hoarding, has particularly conduced to bolster up the notion that income can be left unused, and that consequently the effective purchasing power would fail to correspond to the volume of production. If one wishes to understand properly what really happens on such an occasion, it should first be realized that the income which is used for the acquisition of means of payment, is even then invested in real assets or claims. Even in these abnormal circumstances we fail to find any income which is "unused" in the sense that it exists merely as a figure. From the bank's point of view means of payment are liabilities, and the banks must at any given moment have corresponding assets, in which the money of depositors is ultimately invested.

On the other hand, *means of payment* as such may be unused, or poorly utilized, in the sense that they are not used to the normal extent for making payments. It is this situation that entails a fall of prices. The effect, as previously indicated, will be the same if the means of payment are used for the repayment of bank debts, which reduces the total supply of means of payment.

It follows from the above that what is called shortage of purchasing power invariably is a *monetary* phenomenon, connected with a process of deflation. There is nothing in the purely *economic* mechanism of society that can give rise to a lack of purchasing pover. The realization of this fact is of extreme practical value. The consequence will, of course, be that the evil which is popularly designated as »shortage of purchasing power", will have to be conquered by monetary measures. A shortage in the supply of means of payment can be overcome only by positive action on the part of the banks with intent to increase that supply. On the other hand, to attempt to remedy »shortage of purchasing power» with measures of a purely economic character must be regarded as an error. The remedies nowadays so much recommended, of diminishing saving, or of cutting down the profits of companies, or curtailing the reservation of profits, must be regarded as falling wide of the mark, just because they address themselves to economic phenomena, whereas what is really wanted is a remedy for the deflation, which is a *monetary* disease. During the course of a deflation it is not saving as such that is noxious, but the abnormal acquisition of means of payment, whether with the aid of savings or by the realization of assets. To carry on a crusade against saving as such is a mistake and very objectionable from the point of view of national education.

This article is merely intended to eliminate current fallacies regarding »a shortage of purchasing power». To make clear in a positive way what happens during a depression, when sales decline, is a subject which requires separate treatment.

THE OXELÖSUND IRON WORKS

The problem as to how to utilize the big ore deposits at Grängesberg and in Lapland for the domestic production of iron has been engrossing attention for a couple of generations. As regards Grängesberg ore, it its consumed in Sweden on a large scale only at the Domnarvet and Oxelösund iron works.

The erection of the Domnarvet iron works, which belong to Stora Kopparbergs Bergslags AB, began in 1873 and was completed in 1878, the same year in which the Thomas process was introduced, and provided facilities for the use of phosphoriferous ores on a big scale. Though the Domnarvet works are situated not far from Grängesberg, they were not founded with the intention of utilizing Grängesberg ore, but in order to concentrate the iron industry of the abovementioned company, which had been carried on in nineteen different localities. In 1878 that company seems to have made its first purchase of a mine in the Grängesberg district, at a cost of 9,000 kronor. In 1883 and 1891 the company purchased considerable parts of the mining field. In later years the considerably increased ore requirements of the Domnarvet works appear to have been almost entirely covered from the Grängesberg mining field. At present they are adapted for the annual consumption of about 400,000 tons of Grängesberg ore.

In 1913 the Oxelösunds Järnverks AB (The Oxelösund Iron Works Company) was founded with the object of erecting a coke blast-furnace plant for the manufacture of foundry pig iron from Grängesberg ore in the vicinity of Oxelösund, the port of shipment for that ore. In connexion with the formation of that company, a contract was concluded with the Grängesberg Company for the supply of up to 100,000 tons of Grängesberg ore per annum. Under this contract, which was valid up to the end of 1934, the price of ore was fixed in relation to the export prices.

In order to utilize the Lapland ores for the domestic production of iron, the Luleå iron works and the Porjus smelting works were founded many years ago; both these works, however, have long since been closed down. In 1917 the Norrbotten Iron Works Company was founded, chiefly by steel works in central Sweden. The intention was that supplies of charcoal pig iron, poor in phosphorus, for open-hearth steel furnaces in central Sweden, should be obtained from a projected pig iron plant, to be established at Luleå. This plant, however, was never erected. On the other hand, a quantity of ore from Tuolluvaara has annually been consumed for about thirty years at iron works in central Sweden, which own those ore deposits. Thus the attempts made to found in the north of Sweden an industry for the utilization of the Lapland ores have all come to naught.

As regards the above-mentioned iron works and projected plant, four different aims can be distinguished. The manufacture of phosphorus-free pig iron with charcoal was an undertaking which naturally suggested itself, and was carried on for a time by the Luleå iron works and the Porjus smelting works. The domestic manufacture of foundry pig iron with coke, in order to replace the considerable imports of such pig iron, was the immediate object of the Oxelösund iron works. The manufacture of charcoal pig iron in the north of Sweden for open-hearth steel furnaces in central Sweden was, as mentioned, the abortive project involved in the formation of the Norrbotten Iron Works Company. — The trend of development has, however, been such that the Oxelösund iron works now sell large amounts of open-hearth pig iron to steel works in central Sweden. — As for the projected pig iron plant mentioned above, its leading object was the establishment of a domestic manufacture of rolling-mill products of commercial-iron grade for the Swedish market. Extensive enquiries with a view to the erection of such a plant in the north of Sweden had been carried on without result. On the other hand, the Domnarvet iron works, which have a very favourable situation in relation to the Grängesberg mining-field and for the domestic consumption of iron, have been increasingly successful in this line.

Though the Oxelösunds Järnverks AB was founded in 1913, the erection of the plant was greatly impeded and delayed by the war. During the first stage of its existence the company seemed to be pursued by a persistent run of bad luck. Firstly, the erection of the plants was delayed and entailed much greater expenditure than had been estimated, the result being that the blast furnace was not put into operation till 1917. Then owing to the blockade, no coking coal could be imported into Sweden, so that the coke furnaces, which form an important feature in the plant, could not be brought into working order till 1919. During the first few years coke was purchased from Germany. Though the blast furnace was not started till 1917, the results for the first year of operation were so brilliant that a dividend of 18 per cent could be offered. For the next two years the dividend was 6 per cent. Since then no dividend was paid till 1934. After the end of the war coking coal was purchased first in the United States. In 1919 and 1920, for example, American coal was purchased in considerable quantities but at very high prices, besides which there were difficulties in procuring tonnage. In the latter part of 1920 the export of coal from Gt. Britain was released. Coal prices and freights fell immensely, with the result that the Oxelösund iron works sustained considerable losses in that year. In 1921 the fall of prices continued, entailing fresh losses. The manufacture of pig iron was stopped in that year and remained in abeyance till the beginning of April 1924, or for about two and a half years.

In order to improve the economic position of the iron works, especially by procuring a use for part of the excess production of gas, the erection of a cement plant was planned in 1920. Owing to the economic crisis, however, this plant was never erected. In 1926 it was decided to erect, instead, a window-glass plant. It was erected in 1928, but had to be rebuilt in the following year with a view to ensuring the manufacture of window-glass of superior quality.

From 1930 onwards the situation improved in various ways. In 1931 a coke sorting plant of considerable size was erected: it entailed lower costs of labour and afforded greater facilities for meeting demands for different assortments. In 1931 the losses remaining from the preceding crisis were adjusted by the reduction of the share capital from 8,227,000 kronor — the amount to which it had been raised in 1920 — to 822,700 kronor, whereupon it was again increased, to 4,113,500 kronor, or half its preceding amount, by a new issue of 3,290,800 kronor. The subscription of fresh capital chiefly took the form of the conversion of part of the companys big bank debt into share capital. In 1933 a sintering plant was erected with a projected capacity of 150,000 tons per annum, though it has hitherto been fitted up for a capacity of only 100,000 tons. This plant, in conjunction with other modernizations and rationalization, in the course of the last few years, has entailed a very considerable improvement in profitability. Rationalization of the blast-furnace plant has resulted in a greatly increased output and lower costs of production. Furthermore, by certain improvements in the construction of the glass furnace plant, its capacity has been increased by over 50 per cent.

The Oxelösund iron works, as previously mentioned, were founded for the purpose of manufacturing foundry pig iron from Grängesberg ore. In 1913, when the company was formed, Sweden imported annually about 94,674 tons of pig iron, whereof 84,589 tons from Gt. Britain and 8,612 tons from Germany. The output capacity of the Oxelösund iron works was apparently estimated from the outset at 200 tons of pig iron per day, which would have enabled the greater part of the importation of foundry pig iron to be replaced by domestic production. The operations of the company have, however, developed, in some respects, on very different lines. In addition to the manufacture of foundry pig iron, they have, in fact, taken up the manufacture of other kinds of coke pig iron, such as open-hearth iron, pig iron for malleable castings, and hematite. Oxelösund make pig iron with contents of phosphorus ranging from 1.80 down to 0.035 per cent. The qualities with low content of phosphorus have begun to replace charcoal pig iron at Swedish open-hearth and electro-steel works, and are being used on an increasing scale. In this way the Oxelösund iron works have to some extent realized the aim for which the projected pig iron plant in the north had been designed. The production of pig iron thus took a different direction than had been originally intended; this entailed a diminished demand for Grängesberg ore, which is rich in phosporus, and an increased consumption of other ores from central Sweden, which are poor in phosphorus. Whereas the Oxelösund iron works were originally designed chiefly for the consumption of Grängesberg ore for the manufacture of foundry pig iron, the position has now changed in such a way that only about 30 per cent. of their requirements of ore are taken from Grängesberg, and that in 1934, for example, only 47 per cent. of the pig iron produced consisted of foundry pig iron.

Sweden's consumption of foundry pig iron has shown a marked increase in recent years. In 1934 the importation of pig iron amounted to 80,600 tons, presumably consisting, in the main, of foundry pig iron. In the same year the Oxelösund iron works are estimated to have sold about 40,000 tons of foundry pig iron in Sweden, besides which some Swedish charcoal pig iron is still used by the foundries, for the production of certain special qualities. The consumption of charcoal pig iron in the Swedish foundries is estimated at present to range between 10,000 and 15,000 tons per annum.

It is noteworthy that the Oxelösund iron works in recent years have also exported pig iron, being mainly foundry pig iron, on a considerable scale. The company's exports of pig iron, which in 1932 amounted merely to about 7,000 tons, increased in the two following years to about 14,800 and 13,900 tons. These exports go chiefly to Norway, Denmark, Finland and the Border States.

The output capacity of the Oxelösund works has been considerably increased, largely owing to the erection of the sintering plant in 1933, but also by improvements, introduced in 1934, in the capacity of the blowing machines. By charging the blast furnaces with sinter, fuel is economized and the smelting process accelerated, which results in an increased output. These improvements were utilized more thoroughly in 1934, but 1935 will be the first whole year in which they will tell with their full effect. Hence the output of pig iron, which in 1929—1934 was 43,000, 31,000, 41,000, 28,000, 62,000 and 76,000 tons respectively, may be expected to show a further increase in the present year. The production of the blast furnace plant now corresponds to an annual output of nearly 90,000 tons.

The blast furnace at Oxelösund has a considerably greater capacity than any other Swedish blast furnace. The fact that several different qualities of pig iron, with about 40 different analyses, have to be made in the same blast furnace obviously entails certain drawbacks. As indicated by the figures previously given, considerable quantities of foundry pig iron are imported. It now comes chiefly from Germany and Holland, whereas Gt. Britain, which before the war was by far the largest exporter of pig iron to Sweden, now has quite an insignificant share in the Swedish pig iron market. Both Germany and Holland export their pig iron at considerably lower prices than those which it commands on their domestic markets. In recent years minor quantities of pig iron have been imported into Sweden from India. Russia also has latterly been trying to obtain a market for pig iron in Sweden. Oxelösund iron works, as above mentioned, have been able to sell considerable amount of open-hearth pig iron to steel works in central Sweden, where it has, to some extent, superseded charcoal pig iron. This market can, it seems, be considerably extended. Coke pig iron can in fact now be produced in such superior qualities that it can replace charcoal pig iron for a good many purposes.

The operations at the coke plant in recent years have been carried on with greater intensity, which has entailed a somewhat increased output. The output of coke in the years 1929—1934 was 102,000, 94,000, 104,000, 101,000, 103,000 and 107,000 tons, respectively. These figures do not include coal dust, part of which is used in the company's own sintering plant, the remainder being sold to outside sintering plants. Different mixtures of Durham coal and Westphalian coal are used as raw material in the manufacture of coke. The company make blast-furnace coke for their own requirements, foundry coke and coke for heating apparatus for sale. Some years ago it was estimated that about half the output of coke was used in the company's own works, whilst half was sold. But, owing to the increased output from the blast furnaces, the consumption of coke for the company's own requirements has increased, so that in 1934 it amounted to about 60 per cent. of the output, whilst the sale of coke was reduced to about 40 per cent.

The fact that the manufacture of coke at Oxelösund is based on suitable mixtures of coking coal from different countries may be said to have facilitated the production of superior qualities, specially adapted for various purposes. As regards foundry coke the requirements are particularly exacting: this coke is also more expensive to produce.

For heating purposes the Oxelösund works use only gas, being either coke or blast-furnace gas. Such gas is produced in immense quantities, and the effective utilization of this source of heat is a problem which requires the most careful consideration, in view of its bearing on profitability. The blast-furnace gas, which has a relatively low fuel value, as a general rule about 800 calories per cubic metre, after being purged from flue dust (which is consumed in the sintering plant, where it serves as a useful filling) is employed first and foremost in the blast furnace itself for heating the blast air, and secondly for operating the gas machines in the electric power plant, each of which drives a generator of 1,050 kilowatts. The excess blast-furnace gas arising from the increased output of iron has been utilized this year in a new steam boiler plant, which drives a Stal turbine of 2,000 kilowatts. The electric power plant is connected with the State hydro-electric power system, any excess power being fed into that system, whilst reserve power from that system is available in order to make up any deficiency which may arise.

The coke furnace gas has a much higher fuel value, or more than 4,000 calories. The amount produced with the present output of coke is about 50 million cubic metres per annum. It is estimated that about 24 million cubic metres are consumed for heating the coke furnaces, and 8 million cubic metres for the old steam boiler plant, where it is used chiefly for the distillation of the by-products from the coke plant.

Before the erection of the glass works, which at present consume about 12 million cubic metres of coke gas per annum, there was a very large excess of gas. Indeed there is still a rather considerable surplus, which at present cannot be utilized in any way, but is allowed to escape. The complete utilization of the available gas is an important problem for all coke iron works, which should therefore be located, if possible, in districts where industries of manifold kinds exist, or are likely to be established. The attention of the directors has naturally been directed to the problem of endeavouring to find some suitable industry, with large heat requirements, to consume the remaining excess of gas.

Conduits for both coke gas and blas-furnace gas run to all parts of the works where gas is consumed on a considerable scale. This entails the great advantage that, by mixing these gases in different proportions, it is always possible to obtain a gas with the most suitable fuel value.

The glass works, as indicated above, were established chiefly for the purpose of utilizing the large excess of gas. They are based primarily on the modern process for the manufacture of window-glass by machinery, which it has taken about twenty years to develop. The first two establishments in Sweden for this manufacture were founded almost simultaneously at Oxelösund and at Glava in 1928. Previously Sweden had a considerable number of window-glass works: in 1925, for example, no less than thirteen were reported to be in operation. At the present time the manufacture of window-glass is carried on at three works only, namely at the two works just mentioned and at a smaller establishment at Emmaboda.

The modern process for the manufacture of window-glass affords such great advantages in regard to cheapness of operation and a superior quality of glass that it has everywhere rapidly ousted the older method. The raw material is glass sand. As Swedish glass sand, in view of its content of iron, is not of sufficiently high quality, Oxelösund import glass sand from Belgium. The amount of sand consumed is at present about 500 tons per month. This raw product, however, is comparatively cheap. Another foreign raw product for the manufacture of glass, namely soda, is much more expensive to import. The company's requirements of soda entail at present an expenditure of about 40,000 kronor per month, whereas the importation of sand costs only about 6,000 kronor per month. Foreign Glauber salts as well as Swedish and imported dolomite are also consumed in the manufacture of glass. In addition, rather large amounts of limestone are consumed; this limestone, as well as that consumed in the blast furnace, is, of course, taken from Sweden. Part of this material consists of refuse from the limestone quarries on the island of Gothland.

The output from the Oxelösund glass works in the years 1929—1934 was respectively 79,000, 37,000, 111,000, 112,000, 83,000 and 166,000 normal cases, each containing about 50 kg. of glass. The capacity of the works is now being utilized to a high degree, but the marked increase in production in 1934 may possibly still be exceeded in 1935.

The window glass produced is, chemically speaking, a uniform product, but is made in several different qualities, and is delivered ready-cut in all the dimensions required by glaziers.

The rapid development of this industry is due to the immense advantages of the modern process as compared with the old method of glass-blowing by hand. Though the manufacture of glass in accordance with this method was started at Oxelösund in 1928, it was not till after the above-mentioned reconstructions of the plant in 1930 and in 1933 that it has assumed large dimensions.

The glass works comprise a special box factory for the manufacture of the large number of cases of the most divers sizes and shapes, required for packing window-glass.

The major part of the window-glass used in Sweden is now manufactured at Oxelösund. According to the Swedish official statistics, about 11,800, 9,600, 12,600, 12,000 and 9,000 tons of window-glass, respectively, were made in Sweden in the years 1929—1933. Figures for 1934 are not yet available. Oxelösund and Glava, the two large manufacturers of machine made window glass, cooperate on the home market, having formed a joint sales company, named Fönsterglasbrukens Försäljnings AB, in which Oxelösund have a quota of 60 per cent. and Glava of 40 per cent.

The proper extraction and utilization of the by-products is of very great importance, especially for the coke works. The coke-furnace gas yields coal tar, ammonia products and benzol products. The output of by-products includes at present about 5,000 tons of tar, 1,500 tons of ammonium sulphate and 1,000 tons of benzol products per annum. Ammonium sulphate is an artificial manure, containing 21 per cent. of nitrogen. In addition, some 40,000 tons of granulated slag is obtained from the blast furnace per annum: it is being sold at present for various filling and insulation purposes. In many foreign countries, however, such slag is regarded as an important raw product for the manufacture of cement. In Germany, England and other countries it will be found that iron works are often combined with the manufacture of cement, especially where the excess heat generated by blast furnaces or coke plants requires to be utilized. A great deal of heat is in fact consumed in the manufacture of cement.

At the Oxelösund works provision has been made for abundant space, for possible extensions. The industrial area of the company comprises more than 84 acres, with a strip of shore, 1$^1/_2$ kilometres in length, on the Baltic. The enlarged harbour works include a concrete quay, 140 metres in length, with a water depth of 7$^1/_2$ metres. When the iron works were planned space was reserved from the outset for a second blast furnace. The blast furnace plant is at present being extended in connexion with a plan for the mechanization and improvement of the tapping of pig iron, which will entail a considerable saving of labour as compared with the work in the present foundry hall. When the glass works were to be erected, it was found that suitable space was available for them on the establishment. Very large volumes of water are consumed for the cooling of the blast furnace and the slaking of coke, but salt water can be used for these purposes. The pumping station for salt water has a capacity of 900 cubic metres an hour. The supply of fresh water, on the other hand, is not very abundant. A well-equipped workshop facilitates not only repairs, but also the making of new machinery and iron constructions on a rather considerable scale. The staff of the company and the workmen live in the urban community of Oxelösund, which is quite close to the iron works. Nyköping, the seat of the country governor, is about 12 miles from the works.

It is gratifying to note that the increased production of the last few years has been accompanied by a marked improvement in profitability. Rationalization in various ways has conduced to lower the costs of production. And the increased output has made it possible to distribute the general costs over a larger number of units of production. Only by dint of these improvements has it been possible, in spite of unsatisfactory prices, especially for pig iron, to obtain considerably better economic results. In the course of 1934, however, pig iron prices have risen somewhat, and are at present on a slightly higher level than the average for the last few years. The balance-sheet for 1933, after writing off a sum of 559,000 kronor on fixed assets, being equivalent on an average to about 5 per cent. of the book value of real estate and machinery, showed a net profit of about 84,000 kronor. For the year 1934, after writing off 1,000,000 kronor, being equivalent to nearly 10 per cent. of the book values, the nett profit is 650,000 kronor. A dividend of 6 per cent. to the shareholders has been decided for the year 1934.

THE OCCUPATIONAL DISTRIBUTION OF THE POPULATION IN SWEDEN

BY VIKING KÄLLSTRÖM

The population problem is at present engaging very special attention in many countries, interest being chiefly concentrated on the decline of the birth-rate and matters connected therewith. But, besides the quantitative changes in the population, there are other tendencies and conditions which merit attention. It is, for example, undoubtedly of interest to take stock of a nation and examine to what occupations it devotes itself. The results of such an investigation in regard to Sweden will now be reported.

A general survey of the occupational distribution of the Swedish population can be obtained from the decennial censuses, the main results of which for the period 1870—1930 are summarized in the subjoined table 1. The results of the 1930 census have unfortunately not yet reached the stage where figures of occupational distribution for the country at large are available. The figures given here for 1930 are based on estimates as regards a certain number of counties, and must therefore be regarded as preliminary.

Table 1. Distribution of population according to groups of occupations 1870—1930.

	Agriculture and associated callings		Mining, industry and crafts		Trade and traffic		Public services and liberal professions		Total population
	1,000 persons	%	1,000 persons	%	1,000 persons	%	1,000 persons	%	1,000 persons
1870	3,017	72.4	610	14.6	217	5.2	325	7.8	4,169
1880	3,102	67.9	793	17.4	334	7.3	337	7.4	4,566
1890	2,973	62.1	1,038	21.7	414	8.7	360	7.5	4,785
1900	2,828	55.1	1,426	27.8	535	10.4	347	6.7	5,136
1910	2,697	48.8	1,766	32.0	741	13.4	318	5.8	5,522
1920	2,596	44.0	2,066	35.0	898	15.2	344	5.8	5,904
1930	[1]) *2,395*	[1]) *39*	[1]) *2,150*	[1]) *35*	[1]) *1,167*	[1]) *19*	[1]) *430*	[1]) *7*	6,142

In the nineteen-twenties the groups "trade and traffic" and "public services etc." apparently showed a very considerable increase, whilst the number of persons engaged in agriculture diminished both relatively and absolutely. This is in the main a continuation of a tendency which has been known to exist for more than half a century, and which is brought into clear relief by the figures of our table, namely that the relative importance of agriculture in the economy of Sweden in respect of the number of persons who gain their livelihood thereby has markedly and steadily diminished, whilst a continuously increasing section of the population has come to be occupied, instead, in industry, trade and traffic.

It should be noted that the figures given in table 1 comprise the entire population, the occupational groups "domestic work" and "persons formerly engaged in occupations etc." having been distributed over the other four groups in the table. In other words, it may be said that this table shows the distribution of the entire population according to the groups of occupations from which it derives its livelihood.

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[1]) Preliminary estimate.

Table 2. Number of persons actually engaged in certain groups of occupations in the years 1880—1930.

	1880		1900		1920		1930
	Absolute figures	In % of total members of the group	Absolute figures	In % of total members of the group	Absolute figures	In % of total members of the group	In % of total members of the group
Agriculture etc.	852,889	36.4	982,986	41.3	1,058,351	46.7	1) *48*
Mining etc.	173,242	30.1	413,023	34.1	808,241	43.7	1) *49*
Trade etc.	73,288	33.0	148,439	35.8	371,291	49.0	1) *56*

It is, however, possible to separate the number of persons actually employed in occupations from the remainder, who consist chiefly of children under the age of fifteen and married women without a special occupation. On the basis of the figures of the census I have compiled data of the nature indicated in respect of the three groups of occupations which are of greatest interest in this regard. In view of the desirability of giving comparable figures, the table contains no data for the period before 1880.

These figures show that the working members of the national community, those actually engaged in occupations, have greatly increased in number, namely from about one-third of the respective groups in 1880 to about half thereof in 1930. This, of course, is connected with the great expansion and intensification of our economic activity during the past half-century, but should also be viewed against the background of the marked changes in the age-distribution of the population which have taken place in Sweden during this epoch. The last-mentioned phenomenon is illustrated by the table below.

Table 3. Age-distribution of Swedish population 1880—1930.

(Percentage figures.)

	0—15 years	15—50 years	Over 50 years
1880	32.6	48.6	18.8
1900	32.4	47.1	20.5
1920	29.3	49.8	20.9
1930	24.8	52.8	22.4

The most characteristic feature of the period 1880—1900 is a rather marked increase in the highest age-groups, set off by a decrease in the special "able-bodied" age groups 15—50 years, chiefly due, as it seems, to the extensive emigration during that period. The present century presents a somewhat different picture. The most prominent feature is a marked decline in the percentage for the ages of childhood, whilst the age-groups over 15 represent an increasingly larger proportion of the population, a tendency which, as the figures show, has been progressive. The relative increase in the percentages for the "able-bodied" age groups is obviously one of the chief explanations of the increasing number of persons actually engaged in the several occupations.

Statistical returns of the number of unemployed are of considerable importance, especially in these days. For the purpose of the census the method adopted is that each unemployed person, as far as possible, is included in one of the groups of occupations. Evidently there is only a comparatively small number of persons that cannot be classified in this manner. If, however, we desire to go more thoroughly into this question, and to give figures both for those actually employed at any given time in different occupations and the entire number of able-bodied persons who should "normally" be engaged in those occupations, we must have recourse, inter alia, to the available unemployment statistics. To compile serviceable statistics in this field is a very difficult matter, and it is doubtful whether perfectly satisfactory returns could ever be produced. As a general rule it can be taken for granted that the

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1) Preliminary estimate.

statistical returns of the number of unemployed in an entire country at any given time are too low. Certain data of this nature for Sweden during the past decennium, based on the statistics of the State Unemployment Commission, are given below.

Table 4. Number of unemployed at the end of the years 1925—1934.

	Number of applicants for relief	Number of persons relieved			
		Relief works		Unemployment allowances	
		Absolute figures	In percentage of applicants for relief	Absolute figures	In percentage of applicants for relief
1925 . .	20,332	4,058	20.0	631	3.1
1927 . .	24,212	5,509	22.8	3,757	15.5
1929 . .	12,041	3,067	25.5	1,601	13.3
1931 . .	88,761	20,301	22.9	17,914	20.2
1932 . .	161,155	36,565	22.7	45,713	28.4
1933 . .	171,065	37,852	22.1	71,080	41.6
1934 . .	92,881	35,319	38.0	21,345	23.0

The annual and monthly statistics indicate that unemployment in Sweden was on a minor scale during the latter half of the nineteen-twenties, then considerably increased, especially towards the end of 1931, and culminated in the first quarter of 1933, whereupon it gradually receded, thanks to the recovery from the severe economic crisis. The number of persons relieved in relation to the total number of applicants, as the figures show, increased very considerably in the years 1931—1933. In 1931 53.1 per cent. of the total number of persons relieved were employed on relief works, in 1934 a still larger number, namely 62,3 per cent. The distribution of the unemployed according to occupations at different dates is, unfortunately, not quite clearly shown by the current statistics of the State Unemployment Commission, and as regards relief workers in particular only sporadic investigations have been made for that purpose. The distribution, of course, varies considerably according to the season and the situation on the various markets. The major part of the applicants for relief are persons normally employed in mining, industry etc., but during the past crisis there has been considerable unemployment in agriculture and associated callings, at any rate in the cold season of the year. The rather considerable group of unemployed whose occupations are not specified consist mainly of unskilled and casual workers, who cannot be classified under any particular trade.

A valuable and much-needed contribution to Swedish economic statistics is being given by the "census of establishments", which was started in 1931 and will shortly be completed. It comprises the whole economic system with the exception of agriculture and fisheries. In order to complete the picture, the figures of this "census" can, in some measure, be supplemented by data from the agricultural census of 1932 and the fishery statistics of 1931. The results of a compilation on this basis are given in table 5 below. Unfortunately, it has not been possible to make use of the data collected for the purpose of the agricultural census in regard to the number of persons employed in agriculture. In order to estimate this number it has accordingly been necessary to fall back on the figures of the general censuses of 1930 and 1920. In regard to fisheries the number of "establishments" has been computed with the assistance of the respective statistical expert.

In the table the term "establishment" signifies an economic undertaking as a unit, and thus includes branch establishments.

It should be observed that the figures, in part, relate to somewhat different periods: the census general to the 31st December 1930, the "census of establishments" to the 25th September 1931, the fishery statistics to 1931, and the agricultural census to 1932.

The group "miscellaneous non-specified occupations" includes, inter alia, administration of estates, agency and consulting business, undertakings connected with hygiene, scavenging and sanitation, as well as catering for amusements.

The figures in the subjointed table must be regarded as approximate. In regard to agriculture and fishing in particular allowance must be made for a margin of error.

Table 5. Number of economic "establishments" and of persons employed therein, about the year 1931.

Occupations	Number of establishments	Number of persons employed		
		total	per establishment	per cent.
Agriculture	428,600	910,000	2.1	39.7
Fishery	9,570	13,740	1.4	0.6
Gardening	3,910	14,410	3.7	0.6
Forestry	390	44,400	113.8	1.9
Industry and crafts, not combined with other occupations	81,730	727,400	8.9	31.8
Industry and crafts, combined with trade, etc.	16,360	125,370	7.7	5.5
Other wholesale trade	8,860	49,230	5.6	2.2
Other retail trade	45,720	144,300	3.2	6.3
Hotels, restaurants, etc.	8,210	49,960	8.1	2.2
Banking and insurance business	4,450	20,520	4.6	0.9
Transport and communications	16,130	149,130	9.2	6.5
Miscellaneous non specified occupations	15,510	42.000	2.7	1.8
Total	639,440	2,290,460	—	100.0

Thus the total number of "establishments" engaged in economic activities in Sweden about the year 1931 was nearly 640,000 and employed altogether about 2,300,000 persons. Considerably more than two-thirds of the total number of "establishments" and nearly 43 per cent. of the total number of persons employed therein fall to agriculture and its associated callings. Even if Sweden is a country of small holdings, it seems surprising that agriculture, on an average, should directly employ merely a couple of persons per "establishment" (farm). As regards the figures for forestry, it should be explained that, broadly speaking, they relate only to large-scale forestry carried on by the State, communes and companies. Next in order after agriculture comes the group "industry and crafts, not combined with other occupations", followed by trade (wholesale and retail) and "transport and communications."

The number of applicants for unemployment relief varied considerably in 1931. According to the returns for the 30th September, the date nearest that of the "census of establishments", the figure was 40,400. Out of this number, however, 12,400 were employed on relief works, from which returns were sent to the "census". The remainder, that is, 28,000 able-bodied persons, thus represents the number of persons not engaged in the process of production at the stated date.

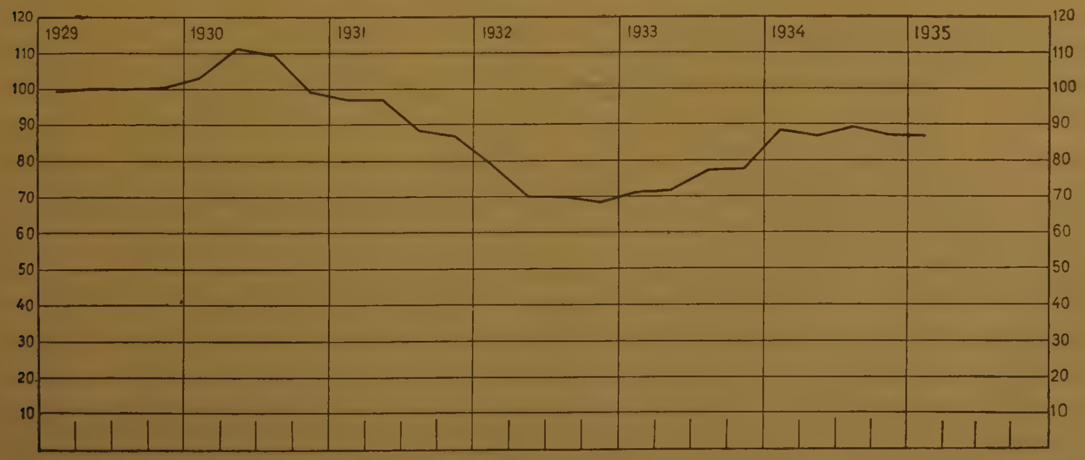
Similar censuses of "establishments" have been made also in some foreign countries. By way of comparison with the Swedish figures, it may be mentioned that a census taken in Denmark, the results of which relate to the 15th July 1925, recorded the existence of 143,700 "establishments" (economic units: the "technical" units numbered 177,800), employing altogether 661,200 persons. Out of these totals, 61,000 "establishments" employing 235,000 persons fell to industry proper. The German census of the 16th June 1925 recorded the existence of 5,139,000 "establishments" (technical units) employing altogether 20,003,000 persons. The number of establishments engaged in industry, in a wide sense, was 3,548,000, and provided employment for 15,610,000 persons. Both these censuses covered industry, crafts, trade, hotels and restaurants, banking and transport.

THE ECONOMIC SITUATION IN THE FIRST QUARTER OF 1935

The General Situation. That 1934 was a year of boom, at any rate for many branches of industry, is confirmed by statistics which have now become available, as well as by the directors' reports which are being sent in by the companies in increasing numbers. The statistical returns show that, in certain cases, new records have been reached in regard to output, sales on the home market, exports, and the import of raw products by various home industries. The brisker sales, the somewhat improved level of prices and lower rates of interest on loans have entailed better profits, as is in fact shown by the balance-sheets of the industrial companies.

Foreign trade in 1934 showed an import surplus of barely 5 million kronor, or about 13 million kronor less than in the year immediately preceding. As it seems that the increases and decreases in regard to other items in the balance of payments for 1934 will approximately balance one another, the balance of payments for that year will apparently show a surplus of revenue of about the same magnitude as for 1933, or roughly 200 million kronor.

The trend of the distribution of Sweden's foreign trade with various countries is of great interest. The United States and Germany stand in a class by themselves: their trade with Sweden, as compared with the year 1929, has decreased much more markedly than that of the other countries. As for the latter, Sweden's trade with the sterling group, the gold bloc and the remaining countries showed, remarkably enough, almost the same proportions in 1934 as in 1929. This correspondence is particularly striking in regard to exports. In 1929 and 1934, respectively, Sweden's exports to countries other than the United States and Germany were in the proportion of 60.4 and 61.7 per cent. for the sterling group, 20.9 and 20.3 per cent. for the gold bloc, 18.7 and 18.0 per cent. for the remaining countries. It should be noted, however, that Swedish exports are, broadly speaking, confined to a comparatively small number of special goods, and that trade in those goods is not, generally speaking, based on competition with the home markets of other countries. Our competitors are to be found in other exporting countries, which, like



The Skandinaviska Bank's Business Activity Index.

Index numbers for clearing, in kronor (1929 = 100).

Sweden, belong to the sterling group and are therefore on the same footing as Sweden in regard to currency. These circumstances largely account for the fact that currency conditions have not entailed any appreciable change in the geographical trend of Sweden's exports.

The general economic trend during the first quarter of the present year shows, in some measure, the same features as in the last three quarters of 1934: a favourable sequel to the previous improvement in the general situation and to the abundant crops of the last two years, the stimulating effects of the greater activity in building, and, in general, the maintenance of a relatively high level in regard to employment and spending power.

Consumption on the home market, however, shows signs of some satiety. The trade index of the Skandinaviska Bank — which relates to the value of the clearing of commercial bills, allowing for seasonal ups and downs — fluctuated last year about the figure of 88, the average value for the year 1929 being represented by 100. For the first quarter of this year the index number was 86.8. The production indices of the Federation of Swedish Industries for the home-market industries and for the manufacture of goods of consumption have not shown any lasting improvements for a year.

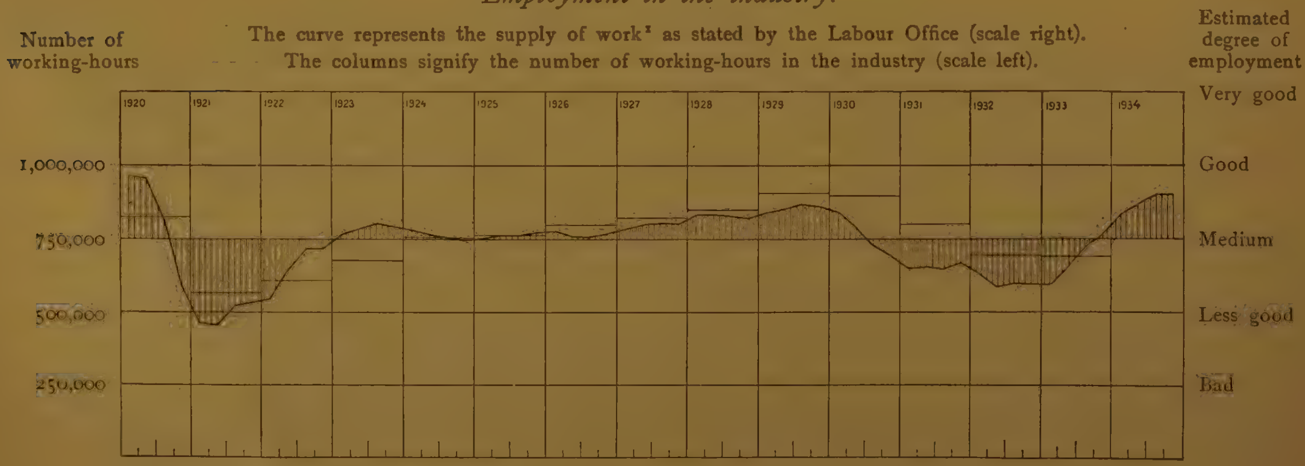
Swedish exports, which last year increased by 20 per cent. as compared with 1933 and 37 per cent. as compared with 1932, were larger for the first two months of this year than for the same period in the years 1931—1934. The decrease in value as compared with 1929 is chiefly due to the subsequent fall in prices. Thus this year the exports, reckoned by volume, have so far been on a large scale.

		Imports	Exports	Surplus of exports (+) or surplus of imports (—)
		Million kronor		
Jan.—Feb.	1929 . . .	210	187	— 23
» »	1930 . . .	263	211	— 52
» »	1931 . . .	206	151	— 55
» »	1932 . . .	185	140	— 45
» »	1933 . . .	156	127	— 29
» »	1934 . . .	188	156	— 33
» »	1935 . . .	208	163	— 45

The export of the principal export goods is shown below. It will be seen from these figures that the export of sulphite pulp, paper and pasteboard and pig iron has attained new records for the period from 1929 onwards.

	Wood Goods 1,000 m³	Wood Pulp (estimated air-dry weight) 1,000 tons				Paper and Pasteboard 1,000 tons
Jan.—Feb.		Mechanical	Sulphite	Sulphate	Total	
1929 . .	338	23.0	79.1	28.0	130.1	63.51
1930 . .	324	25.1	84.7	37.6	147.4	79.87
1931 . .	179	21.1	67.2	47.8	136.1	61.51
1932 . .	233	17.7	90.0	50.5	158.2	87.63
1933 . .	259	35.8	110.2	47.5	193.4	75.06
1934 . .	183	34.9	115.7	86.2	236.8	81.44
1935 . .	218	29.5	124.6	76.5	230.6	91.11

Employment in the industry.


The curve represents the supply of work[1] as stated by the Labour Office (scale right).
The columns signify the number of working-hours in the industry (scale left).

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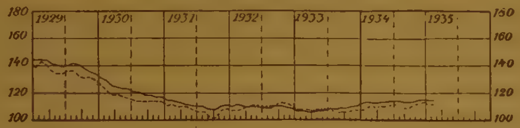
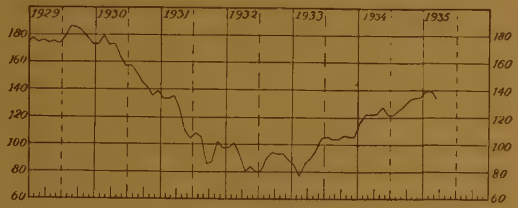
[1] The season variations have been eliminated.

Price Index of the Board of Trade.

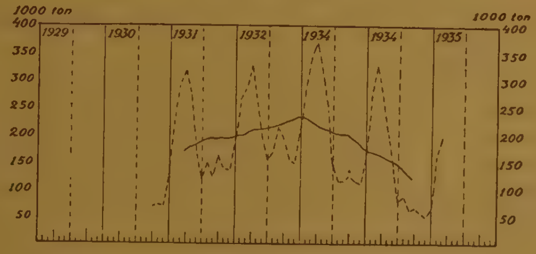
——— = all goods.
- - - - - - - - = raw products.
(Average 1913 = 100.)



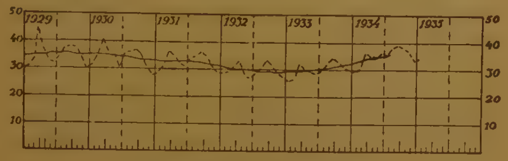
Index Numbers for Shares of 11 typical Swedish Industrial Companies.



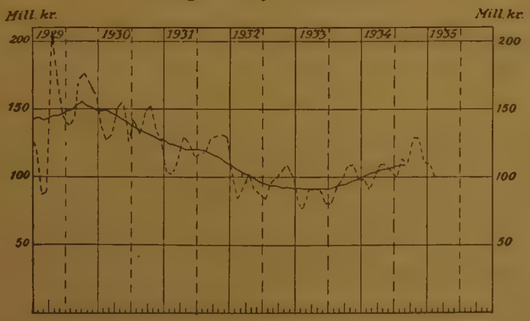
Laid up Swedish Tonnage.
(1,000 tons gross)



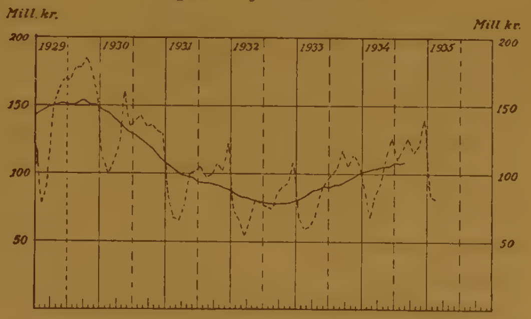
Millions of Axle-Kilometers travelled by Loaded Goods Trucks on the State Railways.



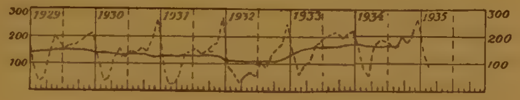
Import of Sweden.



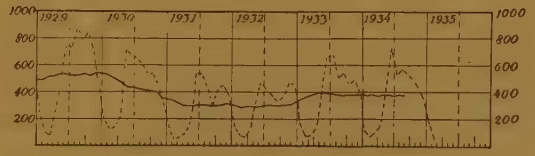
Export of Sweden.



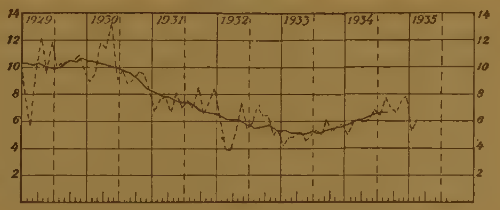
Export of Paper Pulp.
(Estimated air-dry weight in 1,000 tons.)



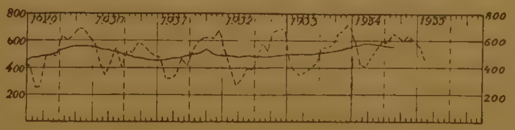
Export of Woodgoods.
(1,000 m³.)



Export of Products of the Engineering Works.
(Mill. kr.)



Import of Coal and Coke.
(1,000 tons.)



Everywhere except in the first diagram the dotted line — where it occurs — indicates the original figures and the solid line the moving 12 months' averages.

Jan.—Feb.	Iron Ore 1,000 tons	Pig Iron etc 1,000 tons	Wrought Iron and Steel 1,000 tons	Workshop[1] Products Mill. kr.	Butter tons	Bacon tons
1929 . .	1,033	7.09	17.69	13.6	3,640	2,277
1930 . .	1,345	5.96	16.98	18.4	5,068	3,437
1931 . .	413	5.15	11.13	14.3	4,058	5,273
1932 . .	254	3.80	11.68	10.2	2,789	4,582
1933 . .	288	4.76	9.14	8.8	2,307	2,079
1934 . .	455	8.95	12.45	10.8	3,804	2,746
1935 . .	1,042	9.66	13.46	11.3	3,521	1,197

The sales of our big export goods have latterly been somewhat less brisk than before. Owing to the still existing uncertainty regarding the supply of Russian wood goods to Gt. Britain, the British importers have not signed contracts for Swedish and Finnish wood goods on any large scale. By the end of March Sweden is estimated to have sold about 300,000 standards, which corresponds to about 1/3 of last year's sales. As regards sulphite and sulphate pulp, two-thirds and three-fourths, respectively, of the estimated output for this year has already been sold. As for mechanical pulp no less than 85 per cent. of the output has been contracted for. The newsprint mills are reported to have full order-books for the present year. Orders for wrapping paper have likewise shown an increase, particularly as regards the sulphite paper mills, which are negotiating with a view to closer cooperation. The iron and steel industry is still in full swing. The export market in Europe, however, has fallen off, and on the Swedish market the abnormally large demand has abated somewhat, as the iron works have been in a position to promise quicker deliveries than was previously possible.

The supply of money is still abundant. As Sweden's balance of payments at present yields a considerable surplus of revenue, only a part of which is being permanently invested abroad, the foreign holdings of the Swedish banks have considerably increased and are now larger than ever before. Since the middle of last year the foreign currency holdings of the commercial banks have been maintained at approximately the same amount, being roughly 200 million kronor. The increase in the amount of foreign exchange, 90 to 100 million kronor, has been bought up by the Riksbank, and the sum paid for this currency has increased the already large amount of short-term capital in search of investments. The National Debt Office has availed itself of the easy money market to sell three months' treasury bills at a discount which has fallen from month to month since December 1934. On the last occasion, at the beginning of April 1935, a sum of 20 million kronor was thus borrowed at an average discount of 0.42 per cent.

The market for long-term loans has shown a somewhat irregular trend. At the end of the quarter, when there was a rising tendency, the yield on Swedish Government bonds at low rates of interest was on a level of slightly below 3 per cent., or about the same level as in Gt. Britain, whereas in most other countries the yield was considerably higher.

The Stock Market. In January shares listed on the stock exchange changed hands briskly, with rising prices. From the beginning of February, on the other hand, share prices have shown a falling tendency, in reaction to the great political disturbances and the instability of economic conditions in the outside world. The reviving confidence at the end of last year has again been dispelled, and, despite the satisfactory balance-sheets of the industrial companies, investors have adopted a waiting attitude. The fluctuations in the prices of leading industrial and bank shares on the Stockholm Exchange during the last few months are shown by the table below, where the quotations are given in percentage of par.

	Number of Companies	1934		1935			
		15/11	15/12	15/1	15/2	15/3	30/3
Engineering Workshops	4	128	128	137	135	132	130
Timber and Paper Industries	5	133	133	133	135	127	123
Combined Industries (wood and iron) .	2	142	142	147	145	141	141
Total above Companies	**11**	**134**	**134**	**139**	**139**	**133**	**132**
Banking Companies	4	167	170	175	170	164	159

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[1] Includes only the products of large exporting workshops.

The Bond Market. The following table gives approximate figures for the effective yield corresponding at any given time to the market price of representative Swedish bonds during the last few months.

	Number of loans	1934			1935			
Swedish Government.		16/10	16/11	14/12	15/1	15/2	15/3	29/3
3 % Rente	1	3.17	3.03	3.04	3.03	3.04	3.09	3.18
4 % Amort 1932—81. Conv. 1941	1	2.75	2.50	2.60	2.43	2.22	2.48	2.88
Mortgage Banks.								
4 % Conv. 1941	2	2.68	2.58	2.38	2.22	2.18	2.46	2.88
4 % Amort 1884—1959	1	3.71	3.90	3.92	3.43	3.25	3.23	3.38
City of Stockholm.								
4 % Amort 1881—1936	1	3.17	3.34	3.34	3.20	3.00	3.20	3.20
4½ % Amort 1918—57. Conv. 1940	1	2.91	2.95	3.04	3.09	3.14	3.33	3.33
Industrial Companies.								
4½ % Conv. 1940	1	3.38	3.15	3.15	3.23	3.10	3.14	3.23
5 % Conv. 1936—42	6	3.54	3.56	3.66	3.65	3.65	3.64	3.70

On the bond market also the curve of prices has been irregular. Up to the beginning of February rises in prices predominated. Then followed — without any apparent reason — some decline of prices till the last week in March, when a rising tendency was again noticeable, due to a diminished interest in the purchase of shares for investment.

It is becoming increasingly evident that investors regard the 3 per cent. level for gilt-edged securities as a transitory phenomenon. They are therefore reluctant to bind themselves for long-term investments in 3 per cent. loans, and prefer short-term loans at a higher rate of interest, even if their yield is lower.

The principal conversions and new issues on the bond market during the first quarter of 1935.

Issued by	Rate of interest in per cent	Nominal amount Kronor	Issue price in per cent
Swedish Government	2½	50,000,000	96½
The Royal Swedish Mortgage Bank Ser. II	3	100,000,000[2]	99¼
The Royal Swedish Cities Mortgage Bank, lst series	3½	50,000,000[1]	—
City of Tidaholm	3½	1,289,000	100½
Stockholm—Saltsjön Railway Co.	4	1,500,000[2]	103
AB. Järnförädling	4	600,000	100
Kopparbergs o. Hofors Sågverks AB.	4	6,000,000[2]	104
Malmö Yllefabriks AB.	4	5,000,000	101
Marma-Långrörs AB.	4	15,000,000	102
Mo och Domsjö AB.	3.6	4,000,000	100
Sandö Sågverks AB.	4	2,000,000	102
AB. Electro-Invest (Registered Certificates)	4	12,000,000[2]	101
City of Copenhagen	4	5,000,000 with an option on an additional amount of 10,000,000	99
Norwegian Municipal Bank	4	7,000,000	100

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[1] Being sold privately at the price obtainable on the market.

[2] In connexion with conversion.

Some Statistical Data Concerning

Currency Reserve, Stock of Gold, Note Circulation.

	Net Claims of Banks on Abroad million kronor (End of month)									The Riksbank's								
	Riksbank			Commercial banks			Total			Stock of Gold (million kr.)			Stock of Gold and Net Claims on Abroad (million kr.)			Note Circulation (million kr.)		
	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935
Jan.	259	449	560	205	125	189	464	574	758	206	372	351	465	821	911	508	565	620
Feb.	260	506	555	218	85	200	478	591	755	206	373	351	466	879	906	506	560	620
March	308	507	600	161	77		469	584		232	374	352	540	881	952	531	644	646
I (Average)	**276**	**487**	**572**	**195**	**96**		**470**	**583**		**215**	**373**	**351**	**490**	**860**	**923**	**515**	**586**	**629**
April	257	484		169	103		426	587		266	367		523	851		549	581	
May	263	458		185	130		448	588		266	368		529	826		525	564	
June	318	445		164	171		482	616		266	370		584	815		524	602	
II (Average)	**279**	**462**		**173**	**135**		**452**	**597**		**266**	**368**		**545**	**831**		**533**	**582**	
July	305	457		116	188		421	645		340	371		645	828		531	572	
Aug.	307	471		116	192		423	663		361	373		668	844		513	596	
Sept.	342	469		100	195		442	664		378	374		720	843		625	634	
III (Average)	**318**	**466**		**111**	**192**		**429**	**657**		**360**	**373**		**678**	**838**		**556**	**601**	
Oct.	394	510		106	195		500	705		377	359		771	869		589	632	
Nov.	425	519		105	186		530	706		369	352		794	871		574	622	
Dec.	446	553		106	225		552	778		370	351		816	904		598	672	
IV (Average)	**422**	**527**		**106**	**202**		**528**	**730**		**372**	**354**		**794**	**881**		**587**	**642**	
Notes	The figures comprise balances with foreign banks and holdings of foreign bills and foreign bonds less amounts due to foreign banks									At end of month.						Monthly averages		

Rates of Exchange.

	Nominal Quotations of the Commercial Banks (Monthly Averages)											
	London Kr. for £ 1			New York Kr. for $ 1			Paris Kr. for 100 francs			Berlin Kr. for 100 Rmk		
	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935
Jan.	18.382	19.400	19.404	5.471	3.848	3.972	21.490	23.996	26.187	130.720	145.430	159.558
Feb.	18.765	19.400	19.405	5.482	3.863	3.988	21.648	25.052	26.308	131.448	150.990	160.104
March	18.919	19.400	19.401	5.485	3.822	4.072	21.806	25.166	27.028	131.788	151.890	164.990
I (Average)	**18.689**	**19.400**	**19.403**	**5.479**	**3.844**	**4.011**	**21.648**	**24 738**	**26.508**	**131.652**	**149.437**	**161.551**
April	19.073	19.404		5.335	3.771		21.968	24.979		130.852	149.656	
May	19.447	19.405		4.944	3.806		22.767	25.194		136.019	150.650	
June	19.456	19.405		4.718	3.850		22.652	25.418		135.935	148.340	
II (Average)	**19.325**	**19.405**		**4.999**	**3.809**		**22.462**	**25.197**		**134.269**	**149.549**	
July	19.407	19.403		4.194	3.857		22.835	25.437		139.750	148.288	
Aug.	19.400	19.400		4.315	3.836		23.187	25.563		141.481	151.417	
Sept.	19.400	19.400		4.173	3.888		24.218	26.008		148.154	156.830	
III (Average)	**19.402**	**19.400**		**4.227**	**3.860**		**23.413**	**25.669**		**143.128**	**152.178**	
Oct.	19.400	19.400		4.166	3.936		24.296	26.130		148.413	159.472	
Nov.	19.401	19.402		3.797	3.895		23.788	25.688		145.375	156.837	
Dec.	19.400	19.400		3.798	3.929		23.331	25.948		142.333	158.198	
IV (Average)	**19.400**	**19.401**		**3.920**	**3.920**		**23.805**	**25.922**		**145.374**	**158.169**	
Par	18.1595			2.2038 [1]			14.6196			88.8889		

[1] On the 30th January 1934 the value of the dollar was provisionally fixed at 59.06 % of the former gold parity, Kr. 3.7315 per $.

N. B. England abandoned the gold standard on the 21th Sept., Sweden on the 28th Sept. 1931 and the United States on the 20th April 1933.

Sweden's Economic Position.

Commercial Banks, Stock Exchange.

	Commercial banks												Quotations of 11 typical Swedish Industrial Shares[1] In %			Shares sold on the Stockholm Stock Exchange (1000 kr.)		
	Deposits (million kr.)			Loans incl. bills rediscounted (million kr.)			Bills Rediscounted (million kr.)			Cash (million kr.)								
	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935
Jan.	3615	3665	3617	4138	3813	3826	54	0.4	0.0	210	435	382	85	116	139	359	1061	927
Feb.	3635	3659	3619	4134	3807	3852	18	0.5	0.0	165	485	359	77	122	139	337	1354	583
March	3621	3659		4160	3830		34	0.7		191	442		86	122	133	373	673	531
I (Average)	**3624**	**3661**		**4177**	**3817**		**35**	**0.5**		**189**	**454**		**83**	**120**	**137**	**356**	**1029**	**680**
April	3611	3628		4146	3833		38	0.2		187	411		90	122		494	728	
May	3538	3553		4082	3838		47	0.1		156	317		96	127		645	689	
June	3527	3559		4070	3823		54	0.0		188	307		105	121		487	395	
II (Average)	**3559**	**3580**		**4099**	**3831**		**46**	**0.1**		**177**	**345**		**97**	**123**		**542**	**604**	
July	3641	3629		4012	3800		24	0.0		349	401		106	121		376	338	
Aug.	3640	3628		3997	3810		0.9	0.0		341	399		104	125		305	355	
Sept.	3665	3649		3966	3816		0.8	0.0		398	391		104	128		474	469	
III (Average)	**3649**	**3635**		**3992**	**3809**		**8.6**	**0.0**		**363**	**397**		**105**	**125**		**385**	**387**	
Oct.	3669	3665		3919	3774		0.7	0.0		474	430		106	133		702	1007	
Nov.	3627	3562		3899	3785		0.7	0.0		359	299		105	134		504	549	
Dec.	3629	3553		3905	3795		0.6	0.0		390	349		105	134		554	670	
IV (Average)	**3642**	**3593**		**3908**	**3785**		**0.7**	**0.0**		**408**	**359**		**105**	**134**		**587**	**742**	
Notes	Deposits from and loans to the public within the country (at the end of the respective month)									Cash in hand, credit balances on cheque accounts with the Riksbank et cetera			Prices at middle of month			Averages per Stock Exchange business day		

[1] Revised figures.

Rates of Interest and Price Level.

	Rediscount Rate of the Riksbank (%)			Yield of Bonds (%)						Wholesale Price Index (Board of Trade) (1913 = 100)						Cost of Living Index (July 1914 = 100)		
				Govt. Loans			Industrial Loans			All Goods			Raw Materials					
	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935	1933	1934	1935
Jan.	3.50	2.00	2.00	4.05	3.65	3.03	4.88	4.22	3.65	106	112	115	107	108	112	154	153	155
Feb.	3.50	2.00	2.00	4.12	3.74	3.04	4.96	4.18	3.65	106	112	115	107	110	112	·	·	
March	3.50	2.00	2.00	4.26	3.74	3.09	4.95	4.04	3.64	105	112		107	109		·	·	
I (Average)	**3.50**	**2.00**	**2.00**	**4.14**	**3.71**	**3.05**	**4.93**	**4.15**	**3.65**	**106**	**112**		**107**	**109**				
April	3.50	2.00		4.32	3.72		4.93	3.93		105	113		106	110		153	153	
May	3.50	2.00		4.24	3.60		4.92	3.92		106	113		107	110		·	·	
June	2.50	2.00		4.19	3.63		4.84	3.85		106	114		107	111		·	·	
II (Average)	**3.17**	**2.00**		**4.25**	**3.65**		**4.90**	**3.90**		**106**	**113**		**107**	**110**				
July	2.50	2.00		4.13	3.64		4.83	3.94		108	114		108	111		153	155	
Aug.	2.50	2.00		4.01	3.61		4.76	3.83		108	114		105	109		·	·	
Sept.	2.50	2.00		3.92	3.49		4.58	3.67		109	114		106	109		·	·	
III (Average)	**2.50**	**2.00**		**4.02**	**3.58**		**4.77**	**3.81**		**108**	**114**		**106**	**110**				
Oct.	2.50	2.00		3.79	3.38		4.46	3.54		109	114		106	111		154	155	
Nov.	2.50	2.00		3.86	3.37		4.46	3.56		110	115		107	112		·	·	
Dec.	2.00	2.00		3.74	3.26		4.37	3.66		110	115		107	113		·	·	
IV (Average)	**2.33**	**2.00**		**3.80**	**3.34**		**4.41**	**3.59**		**110**	**115**		**107**	**112**				
Notes	Monthly averages			Calculated on market prices at middle of months						Calculated on prices ruling at middle of months						Refers to end of quarters		

Trade and Industry.

	Foreign Trade (million kr.)								
	Import			Export			Excess of Imports (−) or Exports (+)		
	1933	1934	1935	1933	1934	1935	1933	1934	1935
Jan.	81	98	109	68	89	83	−13	− 9	−26
Feb.	75	90	99	59	66	80	−16	−24	−19
March	90	100		61	83		−29	−17	
I (Average)	**82**	**96**		**63**	**79**		**−19**	**−17**	
April	90	109		68	92		−22	−17	
May	90	109		86	112		− 4	+ 3	
June	80	103		94	125		+14	+22	
II (Average)	**87**	**107**		**83**	**110**		**− 4**	**+ 3**	
July	80	99		99	109		+19	+10	
Aug.	92	113		103	116		+11	+ 3	
Sept.	98	110		117	126		+19	+16	
III (Average)	**90**	**107**		**106**	**117**		**+16**	**+10**	
Oct.	108	129		105	115		− 3	−14	
Nov.	109	128		114	120		+ 5	− 8	
Dec.	98	110		108	139		+10	+29	
IV (Average)	**105**	**122**		**109**	**125**		**+ 4**	**+ 2**	
Notes									

	Export of Forest Products								
	Sawn and Planed Wood Goods 1000 stds			Paper Pulp 1000 tons			Paper and Pasteboard 1000 tons		
	1933	1934	1935	1933	1934	1935	1933	1934	1935
Jan.	35	18	31	133.6	159.5	142.0	36.2	44.4	43.5
Feb.	12	7	8	59.9	77.3	88.6	38.9	37.0	47.6
March	10	11		31.0	52.6		42.2	51.2	
I (Average)	**19**	**12**		**72.4**	**96.5**		**39.1**	**44.2**	
April	18	22		102.4	168.9		42.1	45.8	
May	76	81		167.9	187.2		40.2	46.4	
June	121	146		175.7	183.4		35.4	46.3	
II (Average)	**72**	**83**		**148.7**	**179.8**		**39.2**	**46.2**	
July	118	107		201.6	172.8		46.7	42.9	
Aug.	89	110		208.3	159.2		47.4	45.5	
Sept.	98	95		214.5	197.2		49.3	47.3	
III (Average)	**102**	**104**		**208.1**	**176.4**		**47.8**	**45.2**	
Oct.	93	98		195.9	177.5		45.4	45.1	
Nov.	100	86		207.2	202.3		46.8	53.4	
Dec.	81	71		221.5	264.0		45.9	49.4	
IV (Average)	**91**	**85**		**208.2**	**214.6**		**46.0**	**49.3**	
Notes	Petersburg standard = 4.67 m^3			Estimated air-dry weight					

	Export of Iron Ore 1000 tons			Export of Workshop Products million kr.			Index of Production according to Feder. of Swed. Industries		
	1933	1934	1935	1933	1934	1935	1933	1934	1935
Jan.	180	178	463	4.08	4.90	5.23	87	103	116
Feb.	198	196	442	4.77	5.89	6.08	89	104	117
March	211	395	539	4.81	6.12		89	107	
I (Average)	**196**	**256**	481	**4.55**	**5.64**		**88**	**105**	
April	220	491		5.23	5.92		84	110	
May	209	571		4.56	6.12		87	111	
June	242	606		4.91	6.81		85	112	
II (Average)	**224**	**556**		**4.90**	**6.28**		**85**	**111**	
July	266	580		5.28	6.39		87	108	
Aug.	297	568		4.97	7.67		91	112	
Sept.	273	567		6.07	6.99		90	112	
III (Average)	**279**	**572**		**5.44**	**7.02**		**89**	**111**	
Oct.	220	521		5.20	6.64		93	111	
Nov.	321	456		5.69	7.54		100	114	
Dec.	245	546		5.85	7.82		101	114	
IV (Average)	**262**	**508**		**5.38**	**7.33**		**98**	**113**	
Notes	Shipments of the Grängesberg Co.			Motors, electr. machinery, ball bearings, separators, telephones, etc.			Seasonal change removed Revised figures		

	Supply of Industrial Work Index numbers			Wagon-axle Kilometres of loaded Trucks on State Railways			Unemployment in Trade Unions (%)		
	1932	1933	1934	1933	1934	1935	1933	1934	1935
Jan.	.	.	.	25.6	29.6	34.1	28.8	24.3	21.5
Feb.	.	.	.	26.4	30.5		27.6	24.4	
March	.	.	.	32.6	36.5		28.6	23.6	
I (Average)	**2.46**	**2.30**	**3.24**	**28.2**	**32.2**		**28.3**	**24.1**	
April	.	.	.	30.1	35.2		25.5	19.5	
May	.	.	.	29.5	35.1		21.9	15.3	
June	.	.	.	28.4	36.1		21.0	13.9	
II (Average)	**2.39**	**2.69**	**3.55**	**29.3**	**35.5**		**22.8**	**16.2**	
July	.	.	.	29.8	35.4		19.4	12.8	
Aug.	.	.	.	32.3	38.3		19.6	13.2	
Sept.	.	.	.	34.4	39.0		19.2	13.0	
III (Average)	**2.41**	**2.94**	**3.63**	**32.2**	**37.6**		**19.4**	**13.0**	
Oct.	.	.	.	32.9	38.3		20.1	14.8	
Nov.	.	.	.	31.4	36.9		22.3	17.1	
Dec.	.	.	.	30.1	33.6		27.2	23.6	
IV (Average)	**2.38**	**3.08**	**3.59**	**31.5**	**36.3**		**23.2**	**18.5**	
Notes	The figure 3 denotes normal supply of work			Million kilom. per month			% of total members at end of month		

Stockholm 1935. Kgl. Boktr. P. A. Norstedt & Söner 350988

SKANDINAVISKA KREDITAKTIEBOLAGET

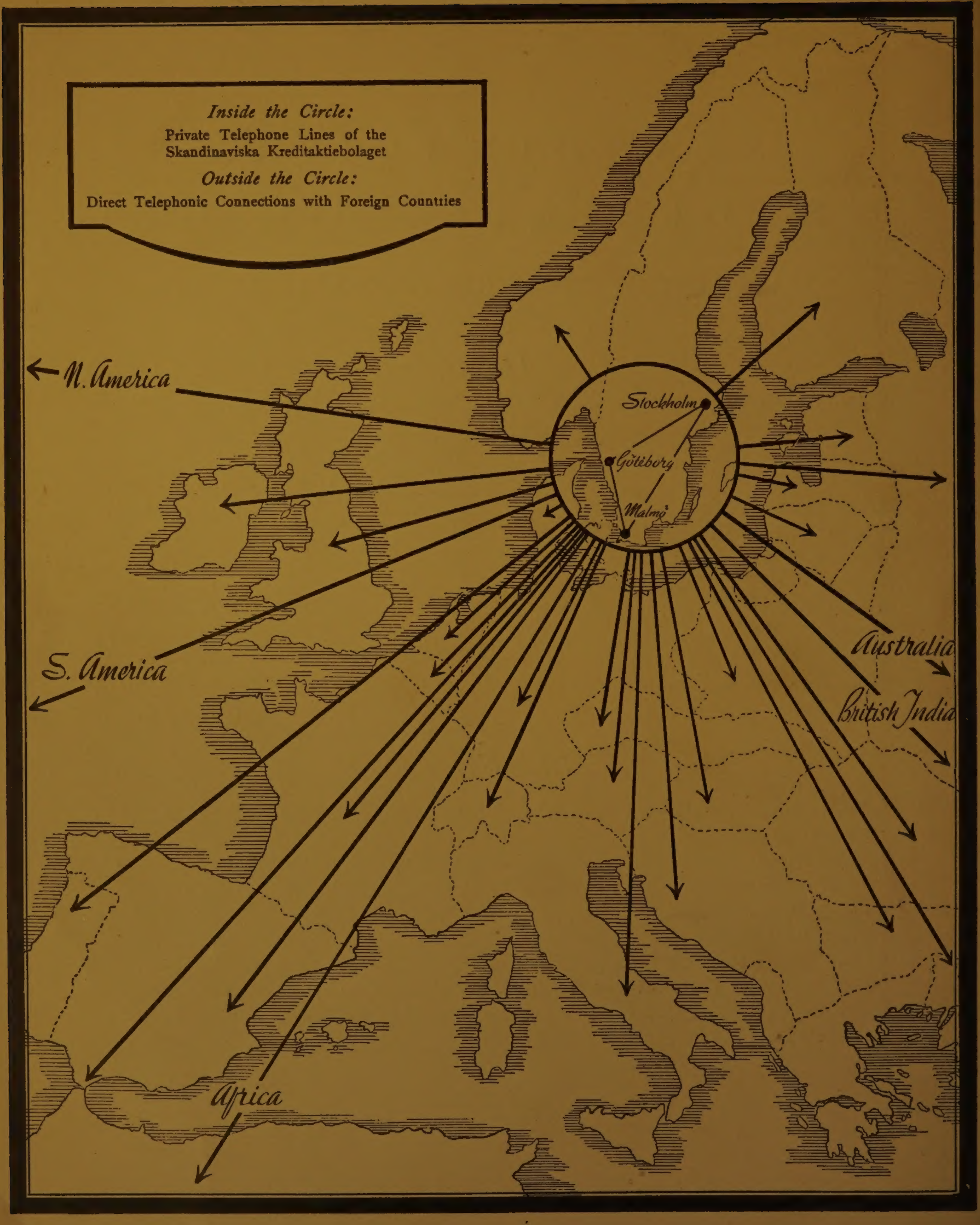
STATEMENT OF CONDITION FEBRUARY, 28th, 1935

Assets

Cash in hand		Kr. 103.845.697: 69
Bills:		
Swedish	Kr. 266.746.024: 67	
Foreign	» 23.357.321: 49	» 290.103.346: 16
Loans (secured)		» 390.778.709: 77
Current Accounts (secured)		» 78.805.576: 20
Swedish Banks		» 3.243.938: 25
Foreign Banks		» 13.252.627: 49
Sundry Accounts		» 23.268.036: 18
Bonds		» 67.671.924: 76
Shares		» 187.610.625: 52
Bank Buildings & Furniture		» 15.728.161: 50
		Kr. 1.174.308.643: 52

Liabilities

Bills at sight in circulation (»postremiss» bills)		Kr. 10.752.777: 10
Deposits:		
at sight	Kr. 119.133.218: 26	
at notice	» 575.777.504: 23	» 694.910.722: 49
Swedish Banks		» 50.375.308: 31
Foreign Banks		» 22.038.607: 96
Sundry Accounts		» 64.231.227:66
$5^{1}/_{2}$ % Registered Certificates of the Bank (»Förlagsbevis»)		» 200.000.000: —
Share Capital	Kr. 87.188.000: —	
Reserve Fund	» 44.812.000: —	» 132.000.000: —
		Kr. 1.174.308.643: 52


Inside the Circle:
Private Telephone Lines of the Skandinaviska Kreditaktiebolaget
Outside the Circle:
Direct Telephonic Connections with Foreign Countries
N. America
S. America
Stockholm
Göteborg
Malmö
Australia
British India
Africa